



Training Proposal for:
Seagate Technology Holdings, Inc.
Agreement Number: ET12-0209

Panel Meeting of: **December 16, 2011**

ETP Regional Office: **San Francisco Bay Area**

Analyst: D. Woodside

PROJECT PROFILE

Contract
Type: Priority/Retrainee

Industry
Sector(s): Manufacturing

Counties
Served: Alameda, Santa Clara

Repeat
Contractor: ☒ Yes ☐ No

Union(s): ☐ Yes ☒ No

Priority
Industry: ☒ Yes ☐ No

No. of Employees in CA: 2,000

No. of Employees Worldwide: 52,600

Turnover Rate %	Manager/ Supervisor %
10%	10%

FUNDING DETAIL

Program Costs	Substantial Contribution	Total ETP Funding
\$499,680	\$74,952	\$424,728

In-Kind Contribution
\$1,038,460

TRAINING PLAN TABLE

Job No.	Job Description (by Contract Type)	Type of Training	Estimated No. of Trainees	Range of Hours		Average Cost per Trainee	Post-Retention Wage
				Class / Lab	CBT		
1	Priority/Retrainee	Business Skills, Computer Skills, Continuous Improvement, Manufacturing Skills	694	24-200	0-100	\$612	\$16.35
				Weighted Avg: 40			

Minimum Wage by County: \$15.70 for Alameda and Santa Clara County for 2012.

Health Benefits: ☒ Yes ☐ No This is employer share of cost for healthcare premiums – medical, dental, vision.

Used to meet the Post-Retention Wage?: ☐ Yes ☒ No

Wage Range by Occupation	
Occupation Title	Wage Range
Operator/Assembler	
Engineering/Technical Staff	
Administrative Staff	
Manager/Supervisor	

INTRODUCTION

In this proposal, Seagate Technology Holdings, Inc. (Seagate) seeks funding for retraining as outlined below:

Founded in 1979, Seagate is headquartered in Cupertino. The company designs, manufactures and markets hard disk drives. (Drives are devices that store digitally encoded data on rapidly rotating disks with magnetic surfaces) Seagate products are used for enterprise servers; mainframes and workstations; desktop and notebook computers; and a wide variety of end user devices. Seagate's key customers are major original equipment manufacturers (OEMs) and distributors of computer and storage systems. In addition to its product line, Seagate also provides data storage services for small to medium-sized businesses, including online backup, data protection and recovery solutions.

The company is eligible for priority industry funding and meets the Panes out-of-state requirements as a manufacturer. (Title 22, California Code of Regulations (CCR), Section 4416(i)(2).)

Company representatives report that disk drives, in today's marketplace, have extended beyond traditional computing to include hand-held media players, digital video recorders for TV, home networks, gaming consoles, PDAs, and enterprise network servers. These products are fundamentally changing the way people use information. New applications are being created by a diverse customer base, requiring a wide range of storage products to meet their needs. End

users need more speed, more capacity and higher reliability to move and manipulate data generated by proliferating consumer electronics and social networking services.

In response, many companies are moving to "Cloud Computing" which is evolving as the future architecture for storing electronic data. Cloud storage is essentially a way of creating storage infrastructure via the internet in which data management is automated to a large degree and efficiency is paramount. Seagate representatives report that this shift towards Cloud Computing has ramped up the demand for offsite data storage centers increasing the need for enterprise level hard disk drives.

Driven by the growth of Cloud Computing, cloud storage is quickly growing from a relatively small percentage of the overall information technology (IT) market to a sustainable and significant opportunity. In response, the company has invested heavily in new product development spending over \$1 billion in research and development in 2010. At the same time, Seagate's senior management team wants to improve the company's service, quality, reliability, delivery time, and order accuracy by providing a common language and a consistent methodology for meeting customer requirements. These changes, however, place a heavy burden on worker proficiency and require extensive retraining. Thus, Seagate is requesting the Panel's assistance to conduct a major training initiative for frontline workers in Cupertino and at its manufacturing, research and development facility in Fremont.

PROJECT DETAILS

Seagate will provide between 24 - 200 classroom/laboratory and CBT hours in the types of training outlined below:

Computer Skills Training will be delivered across all occupations on a variety of corporate systems ranging from desktop applications such as advanced levels of Java, C++, and network programming tools to its in-house business computer applications for inventory, account management, and manufacturing control. Training will also cover the implementation of an upgraded enterprise resource planning system.

Continuous Improvement The rapid increase in new product introduction and more sophisticated technology puts increasing pressure to improve product design cycles, manage product life cycles, reduce factory ramp time, and increase factory utilization. Seagate representatives report that the company's goal in 2012 will be to build on the success of its past continuous improvement programs by implementing the next generation of quality measurement and analysis processes and tools. Training for all occupations will include courses in Seagate's quality management system based on a consistent, company-wide integrated plan and priorities; Six Sigma course work will be provided to better understand, measure and reduce process variation using methodical problem solving techniques and statistics; and, "Lean" skills will be provided to improve productivity and quality by teaching employees how to identify and eliminate waste from the value stream. Trainees will learn how to reduce costs, how to become more effective team members, how to find root causes of problems, and other tools in running an efficient operation.

Business Skills This training is a core component of Seagate's effort to increase customer service and is necessary for those employees who currently lack the skills to successfully introduce new products especially in the Cloud Computing product portfolio. Such skills include: how to manage projects, develop new business, reduce costs, and prepare effective oral and written presentations to customers. International quality regulations, including the complexity of Seagate's products and business transactions, dictate that on-time delivery and order accuracy must also be achieved. The proposed training will improve the company's service, delivery

time, and order accuracy. Product knowledge and marketing techniques training will also be delivered to selected employees to better market the company's new technology. While administrative staff will be the primary target for this training, any employee, including engineering and technical staff that have customer contact may receive this training.

Manufacturing Skills This customized training will enable Operators/Assemblers and Engineering/Technical Staff working at Seagate's Fremont manufacturing facility to operate specialized equipment. Trainees will also gain cross-functional production skills and learn new manufacturing assembly techniques. Skills will be taught by a combination of highly-skilled internal production supervisors, technicians and/or engineers. These instructors will oversee an employee's use of special disc drive manufacturing equipment which will provide trainees with highly transferable skills.

Commitment to Training

Seagate representatives state that ETP funds will not displace the company's existing financial commitment to training. In fact, the company anticipates that the opportunity for enhanced training made possible by ETP funds will encourage an ongoing financial commitment to training.

The training courses in this proposal are different from courses delivered in the previous ETP contract. The previous Agreement focused on training its manufacturing workforce on implementing a core manufacturing technology called perpendicular recording technology as well implementing a customized management development training initiative for manager/supervisors. Seagate's proposed training materials for this proposal have been customized for the fast-paced advancement in recording technology which is highly confidential requiring a large research and development investment. The company employs a team of in-house technicians, engineers, materials scientists, and technical writers to design, develop, and publish training materials internally. Seagate's large investment in R&D, and extensive retraining of its workforce, will prepare the company for the emergence of the Cloud Computing opportunity.

The proposed curriculum will build on, but not overlap, basic instruction and orientation training already provided by Seagate. In addition, the company will continue to fund all training in sexual harassment prevention, rudimentary job skills, basic desktop training in word processing, spreadsheets, and basic applications, and all executive development programs. Seagate reports that its current training budget for California, non-ETP related training is in excess of \$770,000.

Seagate represents that safety training is, and will continue to be, provided in accordance with all pertinent requirements under state and federal law.

Substantial Contribution

Seagate is a repeat contractor with payment earned in excess of \$250,000 at the Fremont facility within the past five years under a prior ETP-funded project. As such, the Fremont facility is subject to a substantial contribution of not less than 15% for this proposal. (Title 22, CCR, Section 4410(a).) Although only the Fremont plant is subject to a substantial contribution, for ease of project administration, Seagate has agreed to a 15% across the board substantial contribution for both the Fremont and Cupertino facilities, thus allowing all trainees to be enrolled in one Job Number.

RECOMMENDATION

For the reasons set forth above, staff recommends approval of this proposal.

PRIOR PROJECTS

The following table summarizes performance by Seagate under an ETP Agreement that was completed within the last five years:

Agreement No.	Location (City)	Term	Approved Amount	Payment Earned
ET07-0285	Scotts Valley and Fremont	02/06/2007-02/05/2009	\$1,512,000	\$1,334,581

Seagate earned 88% of the Agreement amount on its previous ETP Agreement.

DEVELOPMENT SERVICES

Herrera & Company in Stockton provided application development services at no cost to Seagate.

ADMINISTRATIVE SERVICES

Seagate has also retained Herrera & Company for the provision of administration services for a fee not to exceed 13% of the payment earned.

TRAINING VENDORS

Training will be delivered by a combination of in-house trainers and outside vendors to be identified during the term of the contract.

Exhibit B: Menu Curriculum**Class/Lab Hours**

24-200

CONTINUOUS IMPROVEMENT

- Design for Manufacturability
- Product Quality and Reliability
- Six Sigma
- Manufacturing Quality and Reliability
- Process Improvement Training
- Problem Solving Tools and Techniques
- Leadership/Coaching Skills
 - Effective Teams
 - Efficiency Workflow
 - Facilitation Skills and Mentorship
 - Risk Analysis and Strategic Planning
 - Strategic Sales Negotiation Techniques

BUSINESS SKILLS

- Technical Presentations
- Customer Communications and Awareness
- Market Validation and Decision Modeling
- Sales and Negotiation Skills
- Finance and Accounting Skills

COMPUTER SKILLS

- Management and Manufacturing Control Systems
- Network Infrastructure, Security, and Firewall Development
- Materials and Logistics Software Development
- Advanced Desktop Applications
- Information Technology Solutions Internet Tools
- Programming Languages
- Project Management Software Tools

MANUFACTURING SKILLS

- Production and Equipment Operations
- Lean Manufacturing
- Process Capability Mapping
- Manufacturing Process Cross-Training
- Machine Operations, Calibration, and Maintenance
- Manufacturing Assembly Standards and Procedures

CBT Hours

0-100

Computer-Based Training**COMPUTER SKILLS (1 to 8 hours per module)***

- Advanced Desktop Applications
- ERP System Training and Reporting
- Project Management Software Tools

CONTINUOUS IMPROVEMENT (1 to 8 hours per module)*

- Product Quality and Reliability
- Quality Fundamentals/Core Skills
- Process Improvement Training
- Problem Solving Tools and Techniques
- Leadership/Coaching Skills
 - Effective Teams
 - Facilitation Skills and Mentorship
 - Leading the Global Workforce

BUSINESS SKILLS (1 to 8 hours per module)*

- Technical Presentations
- Customer Communications and Awareness
- Market Validation and Decision Modeling
- Sales and Negotiation Skills
- Finance and Accounting Skills
- Marketing Promotion and Position

*An excel list will be provided to ETP with titles and standard times per module. The list includes codes which will correspond to the topics listed above.

Note: Reimbursement for retraining is capped at 200 total training hours per trainee regardless of delivery method. CBT will be capped at 50% of total training hours per trainee.